



Broadening horizons

2016 Annual
Meeting Report

Services

LOANS

Auto Loans
Executive Reserve Accounts
Fixed Rate Mortgages
Adjustable Rate Mortgages
No Closing Cost Mortgages
SmartChoice Mortgages
Home Equity Loans
Home Equity Lines of Credit
Home Improvement Loans
Motorcycle and RV Loans
Secured Loans
Signature Loans
Student Loans
Education Loans
Visa® Credit Cards

DEPOSIT ACCOUNTS

Savings
Checking
Club
Individual Retirement Accounts
Share Certificates
Tiered Money Market
Coverdell Education Savings Account

E-SERVICES

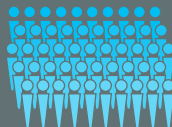
Online Banking
Online Account Opening
Direct Deposit
eStatements
Bill Pay
Mobile Banking
Phone Banking
External Transfers

OTHER

Foreign Currency
Free Notary Service
Signature Guarantee
Visa® Debit Cards
Insurance Services
Special Member Discounts
Skip a Pay
Financial Wellness
CO-OP® ATM Network
CO-OP® Shared Branching

2015

by the numbers



18,048
Total Members



\$51,639,056
Auto Loans Made



\$19,277,395
Mortgage Loans Made



\$7,408,315
Consumer Loans Made

Letter from the Chairman & President/CEO

For Scient, 2015 was a year of many changes—from our management team to our membership—with one constant remaining paramount: our dedication to serving you, our members.

In 2015, we had a change in our CEO and welcomed via merger New Haven Postal Employees Federal Credit Union, with over 2,500 members, into our field of membership. In addition, we had another successful year in indirect automobile lending, with almost 5,000 members now a part of Scient through this business channel. To be sure, Scient remains focused on its life science roots, but it is now so much more than that! The continued growth and viability of our credit union, in this now borderless marketplace for financial services, depends on our diversity in approach and leveraging our model's core strengths.

Accordingly, in looking to Scient's future, we will continue to broaden our vision to enable a mixture of membership options to flourish under the Scient brand. To put it simply, what we do best is help improve our members' lives with creative **S**olutions—that's truly our vision statement and why we exist. As Scient moves forward, we will continue to do that in more places and ways than ever before.

Scient faced some financial challenges in 2015, with a net loss of \$214K driven in large part by a higher provision for loan losses than in 2014. Today, Scient is more focused than ever on mitigating future losses through process improvements that lower our credit risk, while still maintaining our ability to do the right thing by our members in meeting their loan needs. In 2014, we had a high level of loan sales with associated gains of over \$517K which was not repeatable in 2015, a much more normal year for such sales. Lastly, as a result of all our changes in 2015, our expenses were higher than normal and impacted our results. Again, Scient is focused on expense control with our results-focused budgeting reflecting our enhanced control. Indeed, much progress has already been made at Scient, as both the 3rd and 4th quarters were profitable as the company successfully addressed its disappointing 1st half 2015 results. Your Scient Federal Credit Union now has \$230MM in assets, over 18,000 members, and a well-capitalized ratio of 8.70% as of year-end. Scient is in fact financially strong and well-designed to support its future broadened vision.

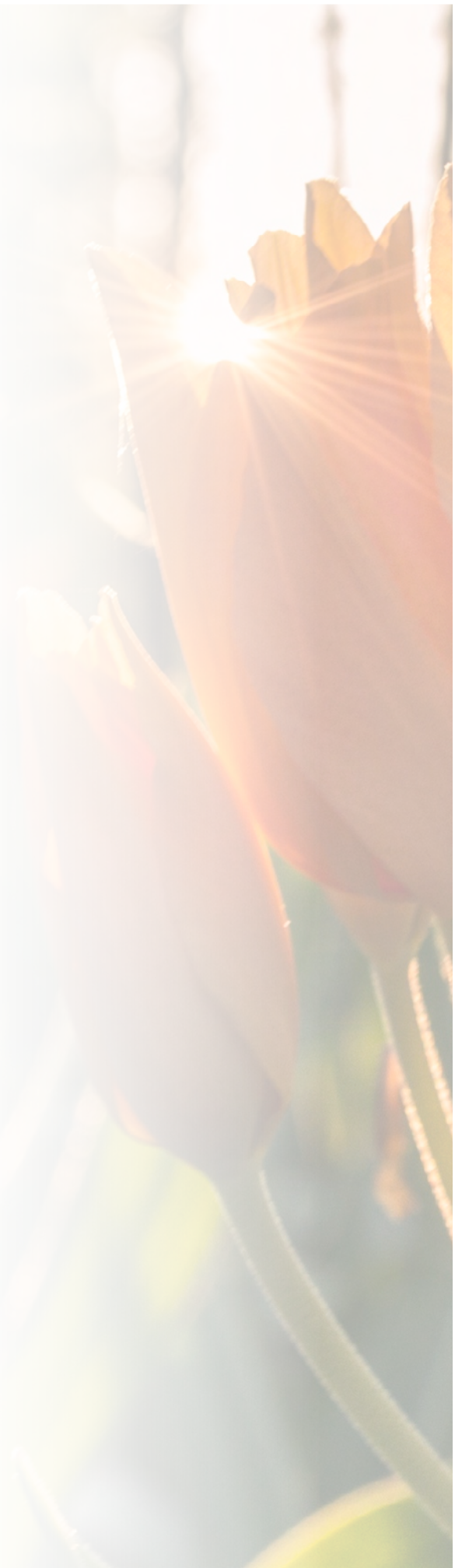
As always, we look forward to serving you in the years to come, and helping you meet life's financial challenges along the way—as you know, that's what we do best!



Rick Teixeira
Board Chairman



David Purcell
President & CEO



Treasurer's Report

Scient is proud to report that our financial condition remains sound. While 2015 was a year full of challenges and change, our credit union continued to serve the members well while maintaining regulatory capital of \$20 million and a net worth ratio of 8.70%. These ratios are well above the 7.00% level needed to be classified as “well capitalized” under applicable government regulations.

The net loss of \$214K in 2015 was the credit union's first in seven years. The loss was due to three main factors: a temporary sharp increase in operating and planned system conversion costs (in part due to the credit union's first merger completed in the first quarter), higher credit risk losses in the first half of the year (which have since been addressed) and a lower, more normal volume of asset sales.

Our merger with the former New Haven Postal Employee Federal Credit Union was completed in February 2015. This transaction added over 2,500 members to the credit union and \$8 million in low cost deposits. Scient's management is confident additional benefits from the merger will become apparent as our new members become more familiar with the additional products and services offered by the combined financial institution.

The increase in the provision for loan loss resulted from higher loan charge offs. Appropriate underwriting and collection efforts continue to be taken to mitigate credit risk. Auto loan sales volume in 2014 was extraordinary, with nearly \$37 million of auto loans. 2015 sales volume was more moderate at \$13 million, and higher per loan premiums were not enough to offset the overall lower level of sales and associated gains.

The balance sheet of \$229.7 million in assets consists principally of \$191.4 million in loans to members and \$30.6 million in cash, equivalents and various investments. Loans outstanding to members net of allowance as of December 31, 2015 increased by \$4.3 million or 2.3% compared to the prior year-end as a direct result of our merger, lower asset sales and efforts to better manage our balance sheet.

Scient continues to service \$52 million of member real estate loans that it sold in the secondary market. In addition, continuing the program it started in 2014, Scient now services \$15 million of participations in auto loans that it sold to other credit union Participant-Buyers. These sales allowed the credit union to fund more mortgages and auto loans for members while retaining a portion of the sold loans plus 100% of the member relationship and loan servicing, as well as boosting fee income.

Scient continues—as always—to work closely with its members to resolve any financial difficulties they may be encountering. The collection department, working with members, recovered over \$129K in previously charged off loans in 2015. Scient's loan restructuring program at year-end extended to 48 members, and included mortgage loans as well as consumer loans. Eleven loans were approved under the program in 2015.

The credit union's strong risk management process includes use of third party, state-of-the-art modeling and use of outside experts as appropriate. Risks are assessed and managed on a real time and projected basis. Modeling indicates that Scient has low to moderate interest-rate risk.

The credit union's liquidity position remains well managed. It had limited borrowings during the year, maintains access to the Federal Reserve Bank of Boston discount window, and in total as of year-end had \$35 million in unused lines of credit.

In closing, I'd like to thank each and every member for making Scient Federal Credit Union what it is today. We greatly appreciate your loyalty.

Sincerely,

Neal Masia

Treasurer of the Board



Statements of Financial Condition

ASSETS		
	2015*	2014
Cash & Cash Equivalents	\$10,851,009	\$4,175,932
INVESTMENTS		
Available for Sale	8,676,754	8,234,010
Held to Maturity	971,503	1,473,134
Trading		1,492,651
Other	10,128,195	14,413,889
Loans to Members		
Net Allowance for Loan Losses	191,395,427	187,099,396
ACCRUED INTEREST RECEIVABLE		
	650,504	693,328
Prepaid & Other Assets	1,583,720	1,534,346
Property & Equipment	3,385,621	3,372,777
NCUSIF Deposit	2,041,010	1,912,187
TOTAL ASSETS	\$229,683,743	\$224,401,650

LIABILITIES & MEMBER EQUITY

	2015*	2014
LIABILITIES		
Members' Share & Savings Accounts	\$204,841,394	\$196,982,884
Borrowed Funds	4,000,000	6,000,000
Accounts Payable & Accrued Liabilities	1,842,762	2,240,114
Total Liabilities	210,684,156	205,222,998
MEMBER EQUITY		
Regular Reserve	1,582,525	1,582,525
Undivided Earnings	18,395,979	18,422,916
(Accumulated Other Comprehensive Loss)	(978,917)	(826,789)
Total Member Equity	18,999,587	19,178,652
TOTAL LIABILITIES & MEMBER EQUITY	\$229,683,743	\$224,401,650

*Unaudited

Statements of Income

	2015*	2014
INTEREST INCOME		
Loans to Members	\$8,709,736	\$8,614,499
Investments	399,541	423,292
Total interest income	9,109,277	9,037,791
INTEREST EXPENSE		
Members' Shares & Savings	967,106	1,047,637
Borrowed Funds	53,235	67,013
Total Interest Expense	1,020,341	1,114,650
Net Interest Income	8,088,936	7,923,141
Provision for Loan Losses	1,706,756	1,228,756
NET INTEREST INCOME After Provision for Loan Losses	6,382,180	6,694,385

	2015*	2014
NON-INTEREST INCOME		
Miscellaneous Operating Income	1,094,794	1,113,816
Fees & Service Charges	880,642	683,126
Gain on Sale of Loans, Net	290,658	517,119
Total Non-Interest Income	2,266,094	2,314,061
	8,648,274	9,008,446
NON-INTEREST EXPENSE		
Compensation & Employee Benefits	4,292,693	4,111,737
Office Operating & Occupancy	2,029,358	1,878,645
Loan Service Expense	1,250,820	1,101,849
Other Office Operating	1,120,799	948,422
Miscellaneous Operating	162,219	228,078
Impairment of Investment Securities	6,606	19,213
Total Non-Interest Expense	8,862,495	8,287,944
NET INCOME (LOSS)	\$(214,221)	\$720,502

*Unaudited

Note: 2015 includes 10 months financial data as a result of a merger with New Haven Postal Employees Federal Credit Union. The merger was as of 2/28/15.

Board of Directors



Rick Teixeira
Chairman



Glenn Wilcox
Vice Chairman



Neal Masia
Treasurer



Adam Smogowicz
Secretary



Gloria Gaito
Director



Jennifer Gilletti
Director



Steve Pias
Director

Supervisory Committee

John Podurgiel, *Chairman*

Elizabeth Algieri

Rhea Bagnell

Steve Pias

Barb Segelstein

Officers & Directors

David Purcell, *President & CEO*

Robert Nealon, *Executive Vice President & CFO*

Chris Maynard, *VP/Corporate Controller*

Wendy Staskivitch, *Director of Operations*

Tina Waterman, *Director of Consumer Lending*

Irv Hagewood, *Director of Collections*

Sue Carling, *Director of Employee Development & Special Projects*

Supervisory Committee Report

The primary responsibility of the Supervisory Committee is to serve as a means of checks and balances at the credit union. We are comprised of a group of dedicated volunteers that are appointed by the Board of Directors. It is our responsibility to ensure that Scient Federal Credit Union establishes and maintains appropriate policies, procedures, and internal controls that safeguard members' assets and privacy, and fulfill the credit union's financial and regulatory responsibilities.

There were numerous internal audits that were conducted by the Credit Union's Internal Auditor, Stephen Settino, and several audits were performed by outside auditors. In addition, we also passed the National Credit Union Administration's (NCUA) annual safety and soundness examination. The National Credit Union Administration is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions.

We want to ensure that our 18,000+ members are happy with our products, services and staff at all times as the credit union continues to grow. We urge you to contact any member of the credit union's staff, Supervisory Committee, or Board of Directors with any comments or questions that you might have. You may also report any issues anonymously to the Supervisory Committee through the "Report It" link located on the credit union's website. You can also mail the Supervisory Committee at:

Scient Federal Credit Union
Attn: Supervisory Committee
60 Colver Ave
Groton, CT 06340

Thank you and have a great year,
John A. Podurgiel
Chair of the Supervisory Committee

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Andover, MA

Pfizer

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Cambridge, MA

Pfizer

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Cambridge MA

Manhattan, NY

Pfizer

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New York, NY

La Jolla, CA

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www.scientfcu.org



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